

ORDINANCE NO. 99286

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF SAN ANTONIO, TEXAS HOTEL OCCUPANCY TAX SUBORDINATE LIEN REVENUE REFUNDING BONDS, SERIES 2004A"; MAKING PROVISION FOR THE PAYMENT OF THESE BONDS ON A PARITY WITH CERTAIN OBLIGATIONS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE ISSUANCE, PAYMENT, SALE AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A BOND PURCHASE AGREEMENT AND AN ESCROW AGREEMENT AND THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT, PROVIDING FOR THE DEFEASANCE OF THE BONDS BEING REFUNDED; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of San Antonio, Texas (the "City") has heretofore issued, sold, and delivered, and there is currently outstanding obligations (hereinafter defined as the *Prior Lien Bonds*) payable solely by a first and prior lien on and pledge of certain hotel occupancy taxes designated as the Prior Lien Pledged Revenues (hereinafter defined); and

WHEREAS, the Prior Lien Bonds were issued pursuant to an ordinance adopted on March 14, 1996 and has been amended as of the date hereof; and

WHEREAS, the City is authorized, pursuant to Chapter 351, as amended, Texas Tax Code, and other applicable laws, to issue obligations to finance and refinance the costs of expanding its Convention Center (hereinafter defined); and

WHEREAS, the City is an "eligible central municipality" as defined in Section 351.001(7), as amended, Texas Tax Code, and pursuant to Section 351.1065, as amended, Texas Tax Code, imposes a municipal hotel occupancy tax at the rate of 9%; and

WHEREAS, the City has heretofore issued, sold, and delivered, and there are currently outstanding obligations in the original principal amount of \$5,450,069.10 designated as "City of San Antonio, Texas Hotel Occupancy Tax Revenue Bonds, Series 1996", dated March 1, 1996, maturing, in part, on August 15 in each of the years 2011 through 2017 (hereinafter called the "Refunded Bonds"); and

WHEREAS, the City desires to issue revenue refunding bonds (the "Bonds") payable from a portion of such hotel occupancy tax to refund the Refunded Bonds; and

WHEREAS, the City Council of the City (the "City Council") intends to issue an aggregate principal of \$10,390,000 in hotel occupancy tax subordinate lien revenue refunding

bonds which are "Subordinate Lien Obligations" pursuant to the ordinance authorizing the Prior Lien Bonds, the proceeds of which will be utilized to provide for the (i) refunding of the Refunded Bonds, and (ii) payment of the costs of issuance of these subordinate lien revenue refunding bonds;

WHEREAS, the Expansion HOT (hereafter defined) is not pledged to the payment of the Bonds; and

WHEREAS, pursuant to the provisions of Chapter 1207, as amended, Texas Government Code (the *Act*), the City Council is authorized to issue refunding bonds and deposit the proceeds of sale under an escrow agreement to provide for the payment of the Refunded Bonds, and such deposit, when made in accordance with the Act, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

WHEREAS, the Act permits that the deposit of the proceeds from the sale of the refunding bonds be deposited directly with any paying agent or designated escrow agent which is not the depository bank of the City; and

WHEREAS, when firm banking arrangements have been made for the payment of principal of and interest to the stated maturity or redemption dates, if any, of the Refunded Bonds, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose and may not be included in or considered to be an indebtedness of the City for the purpose of a limitation on outstanding indebtedness or for any other purpose; and

WHEREAS, JPMorgan Chase Bank, Dallas, Texas (as the successor in interest to Texas Commerce Bank National Association, San Antonio, Texas) currently serves as the paying agent for the Refunded Bonds; and

WHEREAS, JPMorgan Chase Bank, Dallas, Texas (which is not the depository bank of the City) is hereby appointed as the Escrow Agent (hereinafter defined) and The Bank of New York Trust Company, N.A., Jacksonville, Florida is hereby appointed as the Paying Agent/Registrar (hereafter defined) for the Bonds; and

WHEREAS, the City Council also hereby finds and determines that the Refunded Bonds are scheduled to mature or are subject to being redeemed, not more than twenty (20) years from the date of the subordinate lien revenue refunding bonds herein authorized and being issued to restructure the City's debt service, and such refunding will result in a net present value loss of \$320,649.46 and a gross loss of approximately \$6,865,380.55, including the City's contribution of \$0.00; and

WHEREAS, the City Council hereby finds and determines that the issuance of the subordinate lien revenue refunding bonds is in the best interests of the citizens of the City, now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

ARTICLE ONE DEFINITIONS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section for all purposes of this Ordinance except Article Three hereof, and any ordinance amendatory or supplemental hereto shall have the respective meanings specified:

Additional Bonds - the additional hotel occupancy tax revenue bonds permitted to be issued by the City pursuant to Section 5.01 of this Ordinance.

Bond Act - Chapter 1207, as amended, Texas Government Code, and Chapter 351, as amended, Texas Tax Code.

Bond Year - the period of time that commences on the day following the interest payment date on the Bonds Similarly Secured occurring on August of any year and ending on the interest payment date on the Bonds Similarly Secured occurring on August of the following year.

Bonds - the "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2004A", authorized by this Ordinance.

Bonds Similarly Secured- the Parity Bonds, the Bonds, and each series of Additional Bonds from time to time hereafter issued pursuant to Section 5.01 of this Ordinance.

City - the City of San Antonio, Texas, and, where appropriate, the City Council thereof, or any successor thereto.

Common Reserve Fund Bonds - the Prior Lien Bonds and the Bonds Similarly Secured.

Convention Center - the City's Henry B. Gonzalez convention center facility and related improvements as now existing, the Expansion Project, and any future expansions thereto and related facilities.

Debt Service Fund - the Fund so designated in Article Four of this Ordinance.

Debt Service Requirements - means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold; provided, however, that such assumed interest rate shall not exceed 10% per annum, and (2) that, in the case of bonds not subject to fixed scheduled

mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the City under such hedge agreement from the amounts payable by the City under such hedge agreement and such obligations.

Debt Service Reserve Fund - the Fund so designated in Article Four of this Ordinance.

Debt Service Reserve Fund Surety Bond - any surety bond, insurance policy, letter of credit or other guaranty issued to the City for the benefit of the Holders of the Bonds Similarly Secured to satisfy any part of the Reserve Fund Requirement as provided in Section 4.06 of this Ordinance.

Eligible Central Municipality - a city as described in Section 351.001(8) of the HOT Act, which includes the City.

Expansion HOT - the HOT imposed by the City pursuant to Section 351.1065 of the HOT Act, consisting of 2% more than 7% of the cost of a room and which is currently pledged to payment of the Prior Lien Bonds pursuant to Section 351.1065(a)(2) of the HOT Act, less any discount for early payment and plus all penalties and interest on delinquent payments in amounts determined by the City Council.

Expansion HOT Fund - the Fund so designated in Article Four of this Ordinance.

Expansion Project - the expansion of the Convention Center financed with certain proceeds of the Parity Bonds all as contemplated by the Plan.

Facilities Fund - the Fund so designated in Article Four of this Ordinance.

Fiscal Year - the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30 of the following calendar year.

General Account - the Account of the HOT Fund so designated in Article Four of this Ordinance.

General HOT - the HOT imposed by the City pursuant to the HOT Act, not to exceed 7% of the price paid for a room in a hotel, or such additional amount permitted by applicable law, less any discount for early payment and plus all penalties and interest on delinquent payments in amounts determined by the City Council, but in no event may the General HOT include the Expansion HOT.

General HOT Fund - the Fund so designated in Article Four of this Ordinance.

HOT - the municipal hotel occupancy tax permitted to be imposed by the City pursuant to the HOT Act and currently levied at 9%, effective January 1, 1994, by Ordinance Number 78834 adopted by the City Council on September 30, 1993.

HOT Act - Chapter 351, as amended, Texas Tax Code.

Insurance Policy - the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Insurer - Ambac Assurance Corporation, a Wisconsin Stock Insurance Corporation, or any successor thereto or assignee thereof.

Legal Holiday - a day on which a Paying Agent/Registrar for the Bonds is authorized by law to close.

Ordinance - this ordinance and all amendments hereof and supplements hereto.

Outstanding - when used with reference to any Bonds Similarly Secured means, as of a particular date, all Bonds Similarly Secured, or both, theretofore and thereupon delivered except: (a) any such Bond Similarly Secured paid, discharged or canceled by or on behalf of the City at or before said date; (b) any such Bonds Similarly Secured defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Bonds Similarly Secured in lieu of or in substitution for which another obligation shall have been delivered pursuant to the ordinances authorizing the issuance of such Bonds Similarly Secured.

Owner or Holder - when used with respect to any Bond shall mean the person or entity in whose name such Bond is registered in the Security Register. Any reference to a particular percentage or proportion of the owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under this Ordinance.

Parity Bonds - the "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue and Refunding Bonds, Series 2004B", dated as of June 1, 2004, issued concurrently with the Bonds.

Paying Agent/Registrar - with respect to the Bonds, The Bank of New York Trust Company, N.A., Jacksonville, Florida, and its successors in that capacity.

Plan - the capital improvement plan for the expansion of the Convention Center adopted by the City Council on September 30, 1993 by Ordinance Number 78834, as amended by the City Council on September 4, 1997, as restated by the City Council on June 3, 2004 and as may be further amended or supplemented from time to time by the City Council.

Pledged 5.25% Account - the Account of the General HOT Fund so designated in Article Four of this Ordinance.

Pledged 5.25% HOT - that portion of the General HOT which may be allocated pursuant to Section 351.103(b) of the HOT Act for purposes described in Section 351.101(a)(1), of the HOT Act, and which may not exceed 75% of the General HOT (or 5.25%) and which may be pledged on a prior lien to the payment of the Prior Lien Bonds and on a subordinate lien basis to the payment of the Bonds Similarly Secured pursuant to Section 351.102 of the HOT Act.

Pledged Revenues - (i) a subordinate and inferior lien on the revenues from the Pledged 1.75% HOT, plus (ii) a subordinate and inferior lien on the revenues from the Pledged 5.25% HOT, plus (iii) a subordinate lien on the earnings of the investment of the Pledged 1.75% HOT Fund and the Pledged 5.25% HOT Fund, the Debt Service Fund, and the Debt Service Reserve Fund.

Pledged 1.75% Account - the Account of the General HOT Fund so designated in Article Four of this Ordinance.

Pledged 1.75% HOT - that portion of the General HOT which may be allocated pursuant to Section 351.103(b) of the HOT Act for purposes described in Section 351.101(a)(1), of the HOT Act, and which may not exceed 25% of the General HOT (or 1.75%) and which may be pledged as a first and prior lien for the payment of the Prior Lien Bonds and on a subordinate and inferior lien basis for the payment of the Bonds Similarly Secured pursuant to Section 351.102 of the HOT Act.

Prior Lien Bonds - the outstanding "City of San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, Series 1996", dated March 1, 1996, originally issued in the principal amount of \$182,012,480.60 and any refunding bonds hereafter issued for savings that are payable from the Prior Lien Pledged Revenues.

Prior Lien Bonds Debt Service Fund - the fund so designated in Article Four of this Ordinance.

Prior Lien Bonds Ordinance - the ordinance authorizing the Prior Lien Bonds.

Prior Lien Pledged Revenues - (i) a prior lien on the revenues from the Expansion HOT, plus (ii) a prior lien on the revenues from the Pledged 1.75% HOT and from the Pledged 5.25% HOT, plus (iii) a prior lien on the earnings of the investment of the Expansion HOT Fund, the Prior Lien Bonds Debt Service Fund, and the Debt Service Reserve Fund.

Reimbursement Obligation - any obligation entered into by the City in connection with any Bonds Similarly Secured pursuant to which the City obligates itself to reimburse a bank, insurer, surety or other entity for amounts paid or advanced by such party pursuant to a letter of credit, line of credit, standby bond purchase agreement, credit facility, liquidity, facility, insurance policy, surety bond, interest rate swap agreement, or other similar credit agreement, guaranty or liquidity agreement to secure any portion of principal of, interest on or purchase price of any Bonds Similarly Secured or reserves in connection therewith or otherwise relating to any Variable Rate Obligation. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which must be subordinate and inferior to the lien securing the Prior Lien Bonds but may be on a parity with, or subordinate to, the lien on Pledged Revenues securing the Bonds Similarly Secured.

Reserve Fund Requirement - means the amount required to be maintained in the Debt Service Reserve Fund. Such amount shall be recomputed upon the issuance of each series of Common Reserve Fund Bonds to be the lesser of (i) 10% of the original principal amount of the Common Reserve Fund Bonds or (ii) the maximum annual Debt Service Requirements scheduled to occur in the then-current and each future Fiscal Year for all Common Reserve Fund Bonds then Outstanding, including any series of additional Common Reserve Fund Bonds then being issued or (iii) 125% of the average Debt Service Requirements scheduled to occur in the then-current and each future Fiscal Year for all Common Reserve Fund Bonds then Outstanding, including any series of additional Common Reserve Fund Bonds then being issued. The Reserve Fund Requirement shall be recomputed upon the issuance of each series of Common Reserve Fund Bonds. Any Variable Rate Obligations shall be assumed to bear interest at a tax-exempt municipal bond index rate available at the time of determining the Reserve Fund Requirement that is selected by the City which is acceptable to the Insurer.

Security Register - the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

Subordinate Lien Obligations - each series of bonds, notes, or other obligations permitted to be issued by the City pursuant to Article Five of this Ordinance as Subordinate Lien Obligations secured in whole or in part by liens on the Pledged Revenues that are subordinate and inferior to the lien on Pledged Revenues securing payment of the Bonds Similarly Secured.

Transfer Date - each business day on or before February 14, May 14, August 14, and November 14, beginning May 14, 2004.

Transfer Period - the period of time beginning on any Transfer Date and ending on the day immediately preceding the next succeeding Transfer Date.

Variable Rate Obligations - any series of Bonds Similarly Secured, (i) the payment of principal of which is either (a) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is scheduled for payment, or (b) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term through the issuance of additional Variable Rate Obligations pursuant to a commercial paper or other similar financing program and (ii) the purchase price, payment or refinancing of which is additionally secured by a letter of credit, line of credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility which does not impose a reimbursement obligation payable over a period shorter than three years.

Section 1.02. Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Bonds.

ARTICLE TWO
TERMS OF THE BONDS

Section 2.01. Authorization-Designation-Principal Amount - Purpose. The Bonds shall be and are hereby authorized to be issued in the aggregate principal amount of \$10,390,000 and to be designated and bear the title "CITY OF SAN ANTONIO, TEXAS HOTEL OCCUPANCY TAX SUBORDINATE LIEN REVENUE REFUNDING BONDS, SERIES 2004A" for the purpose of refunding certain obligations of the City (identified in the preamble hereof and referred to as the "Refunded Bonds"), and to pay costs of issuance, in accordance with authority conferred by the Bond Act.

Section 2.02. Full Registration-Issue Date-Denomination-Maturities-Interest Rates. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated June 1, 2004 (the "Issue Date") and, other than the single fully registered Initial Bond referenced in Section 2.08 hereof, shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from One (1) upward and shall become due and payable on August 15 in each of the years and in principal amounts (the "Stated Maturities") and bear interest at per annum rates in accordance with the following schedule:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
2029	10,390,000	5.00

The Bonds shall bear interest on the unpaid principal amounts from the Issue Date at the rate(s) per annum shown in the above schedule and such interest (calculated on the basis of a 360-day year of twelve 30-day months) shall be payable on February 15 and August 15 in each year, commencing August 15, 2004.

Section 2.03. Terms of Payment - Paying Agent/Registrar. The principal of, redemption premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders of the Bonds appearing on the Security Register maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders. A Security Register shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a paying agent/registrar agreement.

Principal of and redemption premium, if any, on the Bonds shall be payable at the Stated Maturities or redemption thereof, only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated office in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for

the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a non-payment of interest on one or more maturities on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of such maturity or maturities appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Section 2.04. Redemption.

(a) Mandatory Redemption. The Bonds stated to mature on August 15, 2029 are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 15 in each of the years as set forth below:

Term Bonds	
Stated to Mature	
<u>on August 15, 2029</u>	
<u>Year</u>	<u>Principal Amount (\$)</u>
2028	\$5,070,000
2029*	5,320,000*

*Payable at Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Debt Service Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

(b) Optional Redemption. The Bonds having stated maturities on and after August 15, 2029 shall be subject to redemption prior to maturity, at the option of the City or otherwise, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on August 15, 2012, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(c) Exercise of Redemption Option. At least forty-five (45) days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

(d) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall select the Bonds to be redeemed within such Stated Maturity by lot.

(e) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed (iii) state the redemption price (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

Section 2.05. Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each registered owner of the Bonds issued under and pursuant to the provisions of this Ordinance. Any Bond may, in accordance with its terms and the terms hereof, be transferred or

exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond (other than the Initial Bond(s) authorized in Section 2.08 hereof) at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds, executed on behalf of, and furnished by, the City of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (other than the Initial Bond(s) authorized in Section 2.08 hereof) may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds, executed on behalf of, and furnished by, the City, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the Holder and, upon the delivery thereof, the same shall be valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Bonds", evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered in lieu thereof pursuant to Section 2.09 hereof and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

Section 2.06. Book-Entry Only Transfers and Transactions. It is intended that the Bonds shall initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (the *DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bonds described herein) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Register are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit E (the *Representation Letter*).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, or (ii) the delivery to any Depository Participant or any Indirect Participant or any other person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Paying Agent/Registrar, DTC, and DTC Participants of the availability within a reasonable period of time through DTC of Bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to

principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 2.07. Execution - Registration. The Bonds shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and countersigned by the City Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Issue Date shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

No Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 3.03, manually executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 3.04, manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate upon any Bond duly signed shall be conclusive evidence, and the only evidence, that such Bond has been duly certified, registered and delivered.

Section 2.08. Initial Bond(s). The Bonds herein authorized shall be initially issued either (i) as a single fully registered bond in the total principal amount set forth in Section 2.01 hereof with principal installments to become due and payable as provided in Section 2.02 hereof and numbered T-1, or (ii) as multiple fully registered bonds, being one bond for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Bond(s)") and, in either case, the Initial Bond(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Bond(s) delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

Section 2.09. Mutilated-Destroyed - Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like series, form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such

Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every replacement Bond issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

ARTICLE THREE FORM OF BONDS AND CERTIFICATES

Section 3.01. Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including legends reflecting the purchase of insurance for payment of the Bonds and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the City or determined by the officers executing such Bonds as evidenced by their execution. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds and the Initial Bonds shall be printed, lithographed, engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution.

Section 3.02. Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF SAN ANTONIO, TEXAS
HOTEL OCCUPANCY TAX SUBORDINATE LIEN REVENUE REFUNDING BOND,
SERIES 2004A

Issue Date: June 1, 2004 Interest Rate: _____ Stated Maturity: _____ CUSIP NO: _____

Registered Owner: _____

Principal Amount: _____ DOLLARS

The City of San Antonio (hereinafter referred to as the "City"), a body corporate and municipal corporation located primarily in the County of Bexar, State of Texas, for value received, hereby promises to pay to the order of the Owner named above, or the registered assigns thereof, solely from the Pledged Revenues (hereinafter defined) and the special funds hereinafter specified and from no other source, on the Stated Maturity date specified above the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid Principal Amount hereof from the Issue Date at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing August 15, 2004. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Ordinance hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register on the Record Date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, redemption premium, if any, and interest on this Bond shall be without exchange or collection charges to the registered owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$10,390,000 (herein referred to as the "Bonds") for the purpose of refunding certain

outstanding obligations (identified in the Ordinance as the "Refunded Bonds"), and paying costs of issuance, under and in strict conformity with the Constitution and laws of the State of Texas, and pursuant to an Ordinance adopted by the governing body of the City (herein referred to as the "Ordinance").

As specified in the Ordinance, the Bonds stated to mature on August 15, 2029 are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 15 in each of the years as set forth below:

Term Bonds
Stated to Mature
on August 15, 2029

<u>Year</u>	<u>Principal Amount (\$)</u>
2028	\$5,070,000
2029*	5,320,000*

*Payable at Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Debt Service Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Bonds maturing on and after August 15, 2029, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on August 15, 2012 or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

At least thirty (30) days prior to the date fixed for any redemption of Bonds, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinance. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided money for the payment of the redemption price and the interest on the principal amount to be

redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

The Bonds are special obligations of the City and, together with the currently outstanding Parity Bonds (identified and defined in the Ordinance), are payable from and equally and ratably secured by a lien on the Pledged Revenues and certain special funds, all as more fully described and provided for in the Ordinance. The Bonds, together with the interest thereon, are payable solely from such Pledged Revenues and special funds and do not constitute an indebtedness or general obligation of the City. As used herein, "Pledged Revenues" means (i) a subordinate lien on revenues from that portion of the hotel occupancy tax which may be allocated pursuant to Section 351.103(b), Texas Tax Code, and which may not now exceed 25% of the general hotel occupancy tax (or 1.75%), plus (ii) a subordinate lien on revenues from that portion of the hotel occupancy tax which may be allocated pursuant to Section 351.103(b), Texas Tax Code, and which may not now exceed 75% of the general hotel occupancy tax (or 5.25%), and (iii) interest and other income realized from the investment of amounts on deposit in the special funds created in the Ordinance to the extent such interest and other income are required to be transferred to the debt service fund created in the Ordinance.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional obligations payable from and equally and ratably secured in the same manner and to the same extent as the Parity Bonds and the Bonds.

The Holder shall never have the right to demand payment of this Bond or the interest thereon out of any funds raised or to be raised by taxation, other than Pledged Revenues.

Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the Pledged Revenues and special funds pledged to the payment of the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged

at or prior to the maturity or redemption of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the registered owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal hereof at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non-payment of interest on one or more maturities on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of such maturity or maturities appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and covenanted that the City is a duly organized and legally existing municipal corporation under and pursuant to the Constitution and laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the Bonds by a pledge of the Pledged Revenues and special funds as aforestated. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be duly executed under the official seal of the City as of the Issue Date.

CITY OF SAN ANTONIO, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(Seal)

Section 3.03. Form of Registration Certificate of Comptroller of Public Accounts. To Appear on Initial Bonds only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE)
COMPTROLLER OF PUBLIC
ACCOUNTS

THE STATE OF TEXAS)

) REGISTER NO. _____

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do not print on definitive bonds

Section 3.04. Form of Certificate of Paying Agent/Registrar. To Appear on Definitive Bonds only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued and registered in the name of the Owner shown above under the provisions of the within-mentioned Ordinance; the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated office of the Paying Agent/Registrar in Dallas, Texas is the "Designated Payment/Transfer Office" for this Bond.

The Bank of New York Trust Company, N.A.,
as Paying Agent/Registrar

Registration date:

By _____
Authorized Signature

Section 3.05. Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee:)

(Social Security or other identifying number _____
: _____) the within Bond and all rights thereunder, and hereby
irrevocably constitutes and appoints _____
attorney to transfer the within Bond on the books kept for registration thereof, with full power
of substitution in the premises.

DATED:

Signature guaranteed:

NOTICE: The signature on this
assignment must correspond with the
name of the registered owner as it appears
on the face of the within Bond in every
particular.

Section 3.06. Form of Initial Bond.

The Initial Bonds shall be in the form set forth in Section 3.02, except that the form of a
single fully registered Initial Bond shall be modified as follows:

(i) immediately under the name of the bond the headings "Interest Rate ____",
"Stated Maturity ____", and "CUSIP NO: ____" shall be omitted;

(ii) Paragraph one shall read as follows:

The City of San Antonio (hereinafter referred to as the "City"), a body corporate and
municipal corporation located primarily in the County of Bexar, State of Texas, for value
received, hereby promises to pay to the order of the Owner named above, or the registered
assigns thereof, solely from the Pledged Revenues (hereinafter defined) and special funds
hereinafter specified and from no other source, the Principal Amount hereinabove stated on
August 15 in each of the years and in principal installments in accordance with the following
schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
-----------------------------------	---	--------------------------------

(Information to be inserted from Section 2.02 hereof).

(or so much thereof as shall not have been prepaid prior to maturity) and to pay interest on the
unpaid principal amounts hereof from the Issue Date at the per annum rates of interest specified
above computed on the basis of a 360-day year of twelve 30-day months; such interest being
payable on February 15 and August 15 of each year, commencing August 15, 2004. Principal

installments of this Bond are payable in the year of maturity or on a prepayment date to the registered owner hereof, by The Bank of New York Trust Company, N.A. (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated office in Jacksonville, Florida (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States mail, first class postage prepaid, to the address of registered owner recorded in the Security Register on the Record Date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, redemption premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner or holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 3.07. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

ARTICLE FOUR SECURITY AND SOURCE OF PAYMENT FOR ALL BONDS

Section 4.01. Pledge and Source of Payment. The Bonds shall constitute special obligations of the City and shall be payable from, and, together with the Parity Bonds, equally and ratably secured by a lien on the Pledged Revenues. Such Pledged Revenues or other lawfully available funds of the City shall, in the manner herein provided, be set aside for and pledged to the payment of the Bonds Similarly Secured, and all expenses of providing for their full and timely payment in accordance with their terms, in the Debt Service Fund and the Debt Service Reserve Fund as hereinafter provided. The City hereby grants a lien on the Pledged Revenues and further grants a lien on the Debt Service Fund and the Debt Service Reserve Fund to secure the payment of principal of and redemption premium, if any, and interest on the Bonds Similarly Secured. All Bonds Similarly Secured shall be in all respects on a parity with and of equal dignity with one another. The owners of the Bonds Similarly Secured shall never have the right to demand payment of the principal of, interest on or any redemption premium from funds raised or to be raised by ad valorem taxation, other than the Pledged Revenues.

Chapter 1208.001, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the City under this Section 4.01, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the City under this Section 4.01 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter

9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 4.02. Levy of Hotel Occupancy Tax. The City has levied, and while any Bonds remain Outstanding the City hereby levies and covenants that it shall continue to levy, a HOT on the cost of occupancy of any sleeping room furnished by any hotel within the corporate limits of the City, in which the cost of occupancy is \$2.00 or more a day, at a rate of at least 9% of the consideration paid by the occupant of the sleeping room to the hotel, all as authorized by the HOT Act. The City further covenants that it shall enforce the provisions of this Ordinance, or any other ordinance levying a HOT, concerning the collection, remittance and payment of the HOT.

Section 4.03. Special Funds. The following special funds and accounts created, established and to be maintained under the ordinances authorizing the issuance of the Prior Lien Bonds or the Parity Bonds, as appropriate, are hereby reaffirmed for the benefit of the Bonds while any of the Bonds remain Outstanding. Such funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with this Ordinance:

- (a) Hotel Motel Tax Expansion HOT Fund (the "Expansion HOT Fund");
- (b) Convention Center Expansion Bonds Debt Service Fund (the "Prior Lien Bonds Debt Service Fund");
- (c) Convention Center Expansion Bonds Debt Service Reserve Fund (the "Debt Service Reserve Fund");
- (d) Convention Center Subordinate Lien Bonds Debt Service Fund (the "Debt Service Fund");
- (e) Convention Center Facilities Fund (the "Facilities Fund");
- (f) Hotel Motel Tax Fund (the "General HOT Fund") as described herein and therein the following accounts:
 - 1. General Account of the General HOT Fund (the "General Account"); and
 - 2. Pledged 1.75% Account of the General HOT Fund (the "Pledged 1.75% Account"); and
 - 3. Pledged 5.25% Account of the General HOT Fund (the "Pledged 5.25% Account"); and
- (g) Convention Center Construction Fund (the "Construction Fund").

The Expansion HOT Fund and the General HOT Fund shall be maintained as a separate fund or account on the books of the City. The Debt Service Fund, the Debt Service Reserve Fund, and the Facilities Fund shall be maintained at an official depository bank of the City, separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the Owners of the Bonds and the proceeds of which (other than the interest income thereon, which may be transferred as herein provided) shall be pledged, as herein provided, to the payment of the Bonds.

Section 4.04. Flow of Funds. The City covenants and agrees that the Expansion HOT and all Pledged Revenues shall be deposited or transferred as provided in this Section:

(a) Expansion HOT. The City covenants and agrees that all revenues of the Expansion HOT shall be deposited as received in the Expansion HOT Fund and transferred on or before the last business day of each month to the following funds in the following order of priority:

(i) First, to the Prior Lien Bonds Debt Service Fund in the amounts and for the uses described in Section 3.05 of the Prior Lien Bonds Ordinance.

(ii) Second, to the Debt Service Reserve Fund in the amounts and for the uses described in the Prior Lien Bonds Ordinance.

(iii) Third, to the payment of the Bonds Similarly Secured and any Subordinate Lien Obligations (including Reimbursement Obligations incurred in connection therewith), and reserve funds related thereto, as may be required by any ordinance authorizing the issuance of such the Bonds Similarly Secured and Subordinate Lien Obligations.

(iv) Fourth, to the Facilities Fund in the amounts and for the uses described in Section 3.08 of the Prior Lien Bonds Ordinance.

Notwithstanding the foregoing, as often as the City shall deem necessary, but at least once a month on or before the penultimate business day of each month, the City shall determine the amounts necessary from the Expansion HOT to satisfy the foregoing transfers, taking into consideration the money accumulated as of such date in the Debt Service Fund and the amount necessary to be transferred to the Debt Service Reserve Fund as required herein. After making the aforementioned determination, in the event the revenues from the Expansion HOT are not sufficient to satisfy the payment obligations set forth in clauses First through Third above, the City shall retain in the Expansion HOT Fund any amount necessary (after taking into consideration any lawfully available revenues that may be utilized by the City to pay the debt service requirements on the Subordinate Lien Obligations issued to finance the hotel) for the timely payment of the debt service requirements on any Subordinate Lien Obligations issued to finance a hotel for the Convention Center, and, to the extent funds are available in the Expansion HOT Fund, shall first make transfers to the debt service fund and debt service reserve fund as required by the ordinance authorizing the Subordinate Lien Obligations issued to finance a hotel for the Convention Center. Any money remaining in the Expansion HOT Fund after such transfers and the retention for the payment of the Debt Service Requirements on the Prior Lien

Bonds and Bonds Similarly Secured not issued for the hotel for the Convention Center may be transferred to the Facilities Fund to be used by the City for any lawful purpose. Any money retained in the Pledged 1.75% Account and the Pledged 5.25% Account for Debt Service Requirements on the Bonds Similarly Secured needed for such purpose on any Transfer Date shall be immediately transferred to the Debt Service Fund on such Transfer Date.

(b) General HOT. The City covenants and agrees all revenues from the General HOT shall be deposited as received to the General HOT Fund and immediately allocated as follows: 25% of the General HOT revenues to the Pledged 1.75% Account and 75% of the General HOT revenues to the Pledged 5.25% Account.

1. Money in the Pledged 1.75% Account must be used as follows:

First, to transfer any necessary amounts to the Prior Lien Bonds Debt Service Fund required by the Prior Lien Bonds Ordinance which is secured by a prior lien on and pledge of the Pledged 1.75% HOT;

Second, to transfer any necessary amounts to the Debt Service Reserve Fund required by the Prior Lien Bonds Ordinance which is secured by a prior lien on and pledge of the Pledged 1.75% HOT;

Third, to transfer any necessary amounts to the Debt Service Fund required by the ordinances authorizing the issuance of the Bonds Similarly Secured; and

Fourth, to transfer any necessary amounts to the Debt Service Reserve Fund required by the ordinances authorizing the issuance of the Bonds Similarly Secured.

Fifth, to transfer any necessary amounts to the Debt Service Fund and Debt Service Reserve Fund required by the ordinance authorizing the issuance of any Subordinate Lien Obligations.

2. Money in the Pledged 5.25% Account may be used as follows:

First, to transfer any necessary amounts to the Prior Lien Bonds Debt Service Fund required by the Prior Lien Bonds Ordinance;

Second, to transfer any necessary amounts to the Debt Service Reserve Fund required by the Prior Lien Bonds Ordinance;

Third, to transfer any necessary amounts to the Debt Service Fund required by the ordinances authorizing the issuance of the Bonds Similarly Secured; and

Fourth, to transfer any necessary amounts to the Debt Service Reserve Fund required by the ordinances authorizing the issuance of the Bonds Similarly Secured.

As often as the City shall deem necessary, but at least once a month on or before the penultimate business day of each month, the City shall determine the amounts necessary from the Pledged Revenues, if any, to pay the debt service requirements on the Prior Lien Bonds and

the amounts necessary to pay the Bonds Similarly Secured, taking into consideration the money accumulated as of such date in the respective Debt Service Fund and the amount necessary to be transferred to the Debt Service Reserve Fund as required herein. After making the aforementioned determination, the City shall transfer the amounts so determined to be necessary to the Prior Lien Bonds Debt Service Fund and shall retain any amount necessary for the timely payment of the debt service requirements on the Prior Lien Bonds in the Pledged 1.75% Account and the Pledged 5.25% Account, and, to the extent funds are available, shall make transfers to the Debt Service Reserve Fund as required by the Prior Lien Bonds Ordinance. Any money remaining in the Pledged 1.75% Account and Pledged 5.25% Account after such transfers and the retention for debt service requirements on the Prior Lien Bonds may be transferred to the Debt Service Fund and the Debt Service Reserve Fund for the Bonds Similarly Secured to be used pursuant to Sections 4.05 and 4.06 herein.

(c) Investment Proceeds. The City covenants and agrees that the earnings of the investment of the funds created or confirmed by this Ordinance shall be used as follows (to the extent not necessary for rebate purposes as described herein):

Debt Service Fund earnings shall be retained in the Debt Service Fund;

Debt Service Reserve Fund earnings shall be retained in the Debt Service Reserve Fund to the extent necessary to restore the Reserve Fund Requirement therein and thereafter transferred to the Debt Service Fund;

Facilities Fund earnings shall be retained in the Facilities Fund;

Earnings in the Pledged 1.75% Account and the Pledged 5.25% Account of the General HOT Fund shall be retained in each account;

Construction Fund earnings shall be retained in the Construction Fund until the Expansion Project is complete and thereafter any surplus in the Construction Fund shall be transferred to the Debt Service Fund.

Section 4.05. Debt Service Fund. In addition to the deposits to the Debt Service Fund for the payment of the Parity Bonds, the City covenants and agrees that prior to each interest payment date, stated maturity date and mandatory redemption date for the Bonds there shall be deposited into the Debt Service Fund an amount equal to one hundred percentum (100%) of the amount required to fully pay the amount then due and payable on the Bonds, and such deposits to pay the Bonds at maturity or redemption, as the case may be, and accrued interest thereon shall be made in substantially equal quarterly installments (based on the total annual Debt Service Requirements to be paid on the Bonds divided by the number of Transfer Dates to occur during the period covered by such calculation) on or before each Transfer Date, beginning on the first Transfer Date to occur after the delivery of the Bonds.

In addition, on each Transfer Date, the City covenants and agrees to cause to be deposited into the Debt Service Fund an amount calculated to pay all expenses of providing for the full and timely payment of the principal of, redemption premium, if any, and interest on the Bonds Similarly Secured in accordance with their terms, including without limitation, all fees charged

or incurred by the Paying Agent/Registrar and for trustee services rendered in connection with the Bonds Similarly Secured.

Money credited to the Debt Service Fund shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Bonds Similarly Secured issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the Bonds Similarly Secured, plus all Paying Agent/Registrar charges and other costs and expenses relating to such payment, including those described above. On or before each principal and/or interest payment date on the Bonds Similarly Secured, the City shall transfer from the Debt Service Fund to the appropriate paying agent/registrar amounts equal to the principal, interest and redemption premiums payable on the Bonds Similarly Secured on such date.

Section 4.06. Debt Service Reserve Fund.

(a) The City shall establish and maintain as hereinafter provided a balance in the Debt Service Reserve Fund equal to the Reserve Fund Requirement for the Common Reserve Fund Bonds. The Reserve Fund Requirement for the Common Reserve Fund Bonds shall initially be \$ _____. The Reserve Fund Requirement shall initially be funded at the time of issuance and delivery of each series of Common Reserve Fund Bonds from proceeds of the such bonds. The City may, however, substitute a Debt Service Reserve Fund Surety Bond for cash in the Debt Service Reserve Fund upon written notice to the Insurer, if any.

(b) Each increase in the Reserve Fund Requirement resulting from the issuance of Common Reserve Fund Bonds shall be funded at the time of issuance and delivery of such series of Common Reserve Fund Bonds by either (i) depositing proceeds of such Common Reserve Fund Bonds or other lawfully available funds, including the Facilities Fund, in not less than an amount to fund the Reserve Fund Requirement upon the delivery of such Common Reserve Fund Bonds, (ii) to the extent permitted by applicable law, providing a Debt Service Reserve Fund Surety Bond sufficient to provide such portion of the Reserve Fund Requirement, or (iii) retaining revenues in the Debt Service Reserve Fund from the Pledged Revenues, or other lawfully available funds, in approximately equal monthly installments, over a period of time not to exceed 12 months from the date of delivery of such Common Reserve Fund Bonds to accumulate the Reserve Fund Requirement.

(c) If the Debt Service Reserve Fund contains less than the Reserve Fund Requirement for the Common Reserve Fund Bonds (or so much thereof as shall then be required to be therein if the City has elected to accumulate the Reserve Fund Requirement for any series of Common Reserve Fund Bonds as above provided) or in which the City is obligated to repay or reimburse any provider of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then such amounts as shall be necessary to reestablish in the Debt Service Reserve Fund the Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond shall be transferred from the Pledged Revenues, or any other lawfully available funds, in 12 equal monthly installments. After such amount has been accumulated in the Debt Service Reserve Fund, and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond provider and so long thereafter as the Debt Service Reserve Fund contains the Reserve

Fund Requirement and all such repayment obligations have been satisfied, no further transfers shall be required to be made, and any earnings on Debt Service Reserve Fund shall be transferred to the Debt Service Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below the Reserve Fund Requirement or any Debt Service Reserve Fund Surety Bond repayment obligations arise, transfers to the Debt Service Reserve Fund shall be resumed and continued in the manner provided above to restore the Reserve Fund Requirement and to pay such reimbursement obligations.

(d) The following requirements must be met in the event the City desires to satisfy the Reserve Fund Requirement by a deposit of a Debt Service Reserve Fund Surety Bond (other than a credit instrument issued by the Insurer) in lieu of cash:

(i) A Debt Service Reserve Fund Surety Bond in the form of a surety bond or insurance policy issued to the entity serving as Paying Agent/Registrar (the "Fiduciary"), as agent of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Common Reserve Fund Bonds (a "municipal bond insurer") may be deposited in the Debt Service Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of the issuer thereof shall be rated "AAA" by Moody's or "Aaa" by S&P.

(ii) A Debt Service Reserve Fund Surety Bond in the form of a surety bond or insurance policy issued to the Fiduciary, as agent of the Bondholders, by an entity other than a municipal bond insurer may be deposited in the Debt Service Reserve Fund to meet the Reserve Fund Requirement if the form and substance of such instrument and the issuer thereof shall be approved by the Insurer.

(iii) A Debt Service Reserve Fund Surety Bond in the form of an unconditional irrevocable letter of credit issued to the Fiduciary, as agent of the Bondholders, by a bank may be deposited in the Debt Service Reserve Fund to meet the Reserve Fund Requirement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Common Reserve Fund Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the City and the Fiduciary, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

If such notice indicates that the expiration date shall not be extended, the City shall deposit in the Debt Service Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Fund together with any other qualifying credit instruments, to equal the Reserve Fund Requirement on all outstanding Common Reserve Fund Bonds, such deposit to be paid in equal installments on at least a semiannual basis over the remaining term of the letter of credit, unless the Debt Service Reserve Fund Surety Bond is replaced by a Debt Service Reserve Fund Surety Bond meeting the requirements in any of (i), (ii), or (iii) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or

renewed. This Ordinance, in turn, directs the Fiduciary to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Fund is fully funded in its required amount.

(iv) The use of any Debt Service Reserve Fund Surety Bond pursuant to this Section shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer as to the due authorization, execution, delivery, and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such Debt Service Reserve Fund Surety Bond is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Insurer. In addition, the use of a Debt Service Reserve Fund Surety Bond in the form of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the Common Reserve Fund Bonds (or any other account party under the letter of credit).

(v) The obligation to reimburse the issuer of a Debt Service Reserve Fund Surety Bond for any fees, expenses, claims, or draws upon a Debt Service Reserve Fund Surety Bond shall be subordinate to the payment of Debt Service Requirements on the Common Reserve Fund Bonds. The right of the issuer of a Debt Service Reserve Fund Surety Bond to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Fund, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Fund. The Debt Service Reserve Fund Surety Bond shall provide for a revolving feature under the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Debt Service Reserve Fund Surety Bond to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Fund to an amount equal to the difference between the full original amount available under the Debt Service Reserve Fund Surety Bond and the amount then available for further draws or claims. If (A) the issuer of a Debt Service Reserve Fund Surety Bond becomes insolvent, or (B) the issuer of a Debt Service Reserve Fund Surety Bond defaults in its payment obligations thereunder, or (C) the claims-paying ability of the issuer of the insurance policy or surety bond constituting a Debt Service Reserve Fund Surety Bond falls below a S&P "AAA" or a Moody's "Aaa" or (D) the ratings of the issuer of the letter of credit constituting a Debt Service Reserve Fund Surety Bond falls below a S&P "AA", the obligation to reimburse the issuer of the Debt Service Reserve Fund Surety Bond shall be subordinate to the cash replenishment of the Debt Service Reserve Fund.

(vi) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (B) the ratings of the claims paying ability of the issuer of the surety bond or insurance policy constituting a Debt Service Reserve Fund Surety Bond falls below a S&P "AAA" or a Moody's "Aaa", or (C) the rating of the issuer of the letter of credit constituting a Debt Service Reserve Fund Surety Bond falls below a S&P "AA", the

City shall either (1) deposit into the Debt Service Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Fund to equal the Reserve Fund Requirement on all outstanding Common Reserve Fund Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually, or (2) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of (i), (ii), or (iii) above within six months of such occurrence. In the event (A) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy constituting a Debt Service Reserve Fund Surety Bond falls below S&P "A" or (B) the rating of the issuer of the letter of credit constituting a Debt Service Reserve Fund Surety Bond falls below S&P "A" or (C) the issuer of the Debt Service Reserve Fund Surety Bond defaults in its payment obligations or (D) the issuer of the Debt Service Reserve Fund Surety Bond becomes insolvent, the City shall either (A) deposit into the Debt Service Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Fund to equal to the Reserve Fund Requirement on all outstanding Common Reserve Fund Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (B) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of (i), (ii), or (iii) above within six months of such occurrence.

(vii) Where applicable, the amount available for draws or claims under the Debt Service Reserve Fund Surety Bond may be reduced by the amount of cash or permitted investments deposited in the Debt Service Reserve Fund pursuant to clause (C)(1) of the preceding subparagraph (vi).

(viii) If the City chooses the above described alternatives to a cash-funded Debt Service Reserve Fund, any amounts owed by the City to the issuer of such Debt Service Reserve Fund Surety Bond as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of Debt Service Requirements required to be made pursuant to the Ordinance for any purpose, e.g., Additional Bonds test.

(ix) The Fiduciary shall ascertain the necessity for a claim or draw upon the Debt Service Reserve Fund Surety Bond and provide notice to the issuer thereof in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Debt Service Reserve Fund Surety Bond) prior to each interest payment date.

(x) Cash on deposit in the Debt Service Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Debt Service Reserve Fund Surety Bond. If and to the extent that more than one Debt Service Reserve Fund Surety Bond is deposited in the Debt Service Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(e) If as a result of valuation of investments, as described in Section 4.09, of the Debt Service Reserve Fund, the value of the Debt Service Reserve Fund does not equal the Reserve Fund Requirement, the City shall be required to replace such investments or transfer Pledged Revenues, or transfer from other lawfully available funds or money in the Pledged Account, to

the Debt Service Reserve Fund, to bring the Debt Service Reserve Fund to the Reserve Fund Requirement over a 12-month period in equal monthly deposits.

(f) The Debt Service Reserve Fund shall be used to pay the principal of and interest on the Common Reserve Fund Bonds at any time when there is not sufficient money available in the Debt Service Fund for such purpose, and to make any payments required to satisfy repayment obligations to providers of Debt Service Reserve Fund Surety Bonds, and may be used to make the final payments for the retirement or defeasance of the Common Reserve Fund Bonds.

Section 4.07. Funds and Accounts for Subordinate Lien Obligations. On or before each Transfer Date, after making all required transfers to the Debt Service Fund and the Debt Service Reserve Fund, there shall be transferred into such funds and accounts as shall be established for such purpose pursuant to the ordinances authorizing the issuance of any Subordinate Lien Obligations, such amounts as shall be required pursuant to such ordinances to provide for the payment, or to provide reserves for the payment, of any principal of and interest and any premium on Subordinate Lien Obligations, including all costs of paying same and all costs incurred. or to be incurred pursuant to any Reimbursement Obligations incurred in connection therewith.

Section 4.08. Construction Fund. From the proceeds of each series of Bonds Similarly Secured issued to provide for authorized projects there shall be deposited into a construction fund such amounts as shall be provided in the ordinance authorizing such series of Bonds Similarly Secured. Such amounts may be applied to pay costs of establishing, improving, enlarging, extending and repairing an authorized project, to reimburse advances made by the City for such costs, to pay costs of issuance of the Bonds Similarly Secured and to pay any other capital costs of authorized projects as provided in the ordinance authorizing such series of Additional Bonds. Any surplus amounts not required for the foregoing purposes shall, at the direction of the City, be transferred to the Debt Service Fund.

Section 4.09. Investment of Funds; Transfer of Investment Income. (a) Money in all funds required to be maintained by this Ordinance shall, at the option of the City, be invested in the manner provided by Texas law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. Money in such funds may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Prior Lien Bonds, Bonds Similarly Secured, and Subordinate Lien Obligations. All such investments shall be valued no less frequently than the last business day of the City's Fiscal Year at market value, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of such money or funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such

funds are held by or on behalf of each such fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

(b) All interest and income derived from deposits and investments credited to any funds and accounts shall be transferred to the designated fund not less frequently than monthly, except as provided in (c) below; provided that at any time when the Debt Service Reserve Fund has on deposit an amount less than the Reserve Fund Requirement, all interest and income on from deposits and investments credited to such fund shall remain therein.

(c) Notwithstanding anything to the contrary contained herein, any interest and income derived from deposits and investments of any amounts credited to any fund or account may be (i) transferred into any rebate account or subaccount and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in an order, resolution or ordinance to prevent interest on any Prior Lien Bonds, Bonds Similarly Secured, or Subordinate Lien Obligations from being includable within the gross income of the owners thereof for federal income tax purposes.

Section 4.10. Security for Uninvested Funds. While any Bonds Similarly Secured remain Outstanding, all uninvested money on deposit in, or credited to, the above described funds and accounts shall be secured by the pledge of security, as provided by Texas law.

ARTICLE FIVE ADDITIONAL BONDS

Section 5.01. Additional Bonds. The City reserves the right to issue, for any lawful purpose, one or more installments of Additional Bonds payable from and, together with the Parity Bonds and the Bonds, equally and ratably secured by a subordinate and inferior lien on and pledge of the Pledged Revenues and certain special funds; provided, however, that no such Additional Bonds shall be issued unless:

(a) No Default; Fund Balances. The City's Director of Finance (or other officer of the City then having primary responsibility for the financial affairs of the City) shall certify that, upon the issuance of such Additional Bonds, (i) the City will not be in default under any term or provision of any Bonds Similarly Secured then Outstanding or any ordinance pursuant to which any of such Bonds Similarly Secured were issued and (ii) the Debt Service Fund will have the required amounts on deposit therein and the Debt Service Reserve Fund will contain the applicable Reserve Fund Requirement or so much thereof as is required to be funded at such time.

(b) Coverage for Additional Bonds. The City's Director of Finance (or other officer of the City having primary responsibility for the financial affairs of the City) shall provide a certificate showing that, for the City's most recent complete Fiscal Year or for any consecutive 12-month period out of the most recent 18 months, the Pledged Revenues for the above period are equal to at least 150% of the maximum annual Debt Service Requirements on all Bonds Similarly Secured scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Bonds proposed to be issued. In making a determination of the Pledged Revenues, the City may take into consideration an increase in the

portion of the HOT pledged and dedicated to the payment of Prior Lien Bonds and Bonds Similarly Secured that became effective during the period for which Pledged Revenues are determined and, for purposes of satisfying the above coverage tests, make a pro forma determination of the Pledged Revenues for the period of time covered by such certification based on such increased portion of the HOT pledged and dedicated to the payment of the Bonds Similarly Secured being in effect for the entire period covered by the certificate.

(c) Refunding Bonds. If Additional Bonds are issued for the purpose of refunding less than all Bonds Similarly Secured then Outstanding, the certifications described in (b) above shall not be required if the maximum annual and the average annual Debt Service Requirements for all Bonds Similarly Secured to be Outstanding in any Fiscal Year after the issuance of such Additional Bonds will not exceed the maximum annual and the average annual Debt Service Requirements for all Bonds Similarly Secured Outstanding in any Fiscal Year prior to the issuance of Additional Bonds with respect to the maximum annual Debt Service Requirements and in the prior Fiscal Year with respect to the average annual Debt Service Requirements.

(d) Bond Ordinance Requirements. Provision shall be made in the ordinances authorizing the issuance of the Additional Bonds for (i) additional payments into the Debt Service Fund sufficient to provide for increased Debt Service Requirements resulting from the issuance of the Additional Bonds including, in the event that interest on the Additional Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Bonds during the period specified in the ordinance, and (ii) satisfaction of the Reserve Fund Requirement by not later than the date required by this Ordinance or any other ordinance authorizing Additional Bonds.

Section 5.02. Subordinate Lien Obligations. The City reserves the right to issue or incur, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues subordinate to the liens on Pledged Revenues securing payment of the Prior Lien Bonds and Bonds Similarly Secured.

Section 5.03. Reimbursement Obligation. The City may enter into a Reimbursement Obligation in connection with any Bonds Similarly Secured only if the aggregate principal amount of the City's obligations under any such Reimbursement Obligation, as measured at the time that the City must make a payment thereunder, would satisfy the test for the issuance of Bonds Similarly Secured contained in Section 5.01 of this Ordinance as if such Reimbursement Obligation was being issued as a Bond Similarly Secured under this Ordinance.

ARTICLE SIX COVENANTS AND PROVISIONS RELATING TO ALL BONDS

Section 6.01. Punctual Payment of Bonds. The City covenants it will punctually pay or cause to be paid the interest and any redemption premium on and principal of all Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of such Bonds.

Section 6.02. Pledge and Encumbrance of Revenues. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Pledged Revenues to secure the payment of the Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the Prior Lien Bonds and Bonds Similarly Secured, the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Bonds Similarly Secured.

Section 6.03. Bondholders Remedies. This Ordinance shall constitute a contract between the City and the Owners of the Bonds from time to time Outstanding and this Ordinance shall be and remain irrevocable until the Bonds and the interest and any premium thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest or any premium on any of the Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the application of Pledged Revenues in the manner required in this Ordinance; provided, however, that the Owners of the Bonds shall never have the right to demand payment of the principal of, interest on or any redemption premium on the Bonds out of any funds raised or to be raised by taxation, other than the Pledged Revenues.

Section 6.04. Discharge by Deposit. The City may discharge its obligation to the Owners of any or all of the Bonds to pay principal, interest and redemption premium (if any) thereon by depositing with the Paying Agent/Registrar cash in an amount equal to the principal amount and redemption premium, if any, of such Bonds plus interest thereon to the date of maturity or redemption, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of \$100,000,000, pursuant to an escrow or trust agreement to which the Paying Agent/Registrar is a party, cash and/or Government Obligations (as defined below) in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Bonds plus interest thereon to the date of maturity or redemption. Upon such deposit, such Bonds shall no longer be regarded to be Outstanding. In case any Bonds are to be redeemed on any date prior to their maturity, the City, shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in the ordinance or ordinances authorizing such Bonds. For any Bonds not to be redeemed or paid in full within the next succeeding sixty (60) days from the date of deposit provided for in this Section 6.04, the City shall give the Paying Agent/Registrar in form satisfactory to it irrevocable instructions to mail, by United States mail, first class, postage prepaid, a notice to the Owner of each such Bond that the deposit required by this Section 6.04 has been made and that said Bonds are deemed paid in accordance with this Section and stating such maturity or redemption date upon which money are to be available for the payment of the principal amount and redemption premium if any on such Bonds plus interest thereon to the date

of maturity or redemption. Any failure, error or delay in giving such notices shall not affect the defeasance of such Bonds.

The term "Government Obligations", as used herein, means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

Section 6.05. Legal Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Legal Holiday, then payment of interest, redemption premium or principal need not be made on such date but may be made on the next succeeding day which is not a Legal Holiday with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment. In case any Transfer Date shall be a Legal Holiday, then the transfer otherwise required to be made on such date pursuant to Section 4.05 hereof shall be made on the next preceding date which is not a Legal Holiday.

ARTICLE SEVEN CONCERNING THE PAYING AGENT/REGISTRAR

Section 7.01. Paying Agent/Registrar Agreement. The form of Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar attached hereto as Exhibit A is hereby approved. The City Manager is hereby authorized and directed to execute and deliver said Agreement on behalf of the City, and the City Clerk is authorized to attest said Agreement and to affix the seal of the City thereto. The Paying Agent/Registrar, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder and under said agreement, and in

consideration of the payment of fees and/or deposits of money pursuant to this Ordinance and said agreement, accepts and agrees to abide by the terms of this Ordinance and said Agreement.

Section 7.02. Trust Funds. All money transferred by the City to the Paying Agent/Registrar under this Ordinance (except sums representing the Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

Section 7.03. Bonds Presented. Subject to the provisions of Section 7.04, all matured Bonds presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Bonds shall be canceled as provided herein.

Section 7.04. Unclaimed Funds Held by the Paying Agent/Registrar. Funds held by the Paying Agent/Registrar which represent principal of and interest and any redemption premium on the Bonds remaining unclaimed by the owner after the expiration of three years from the date such funds have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

The Paying Agent/Registrar shall have no liability to the Owners of the Bonds by virtue of actions taken in compliance with this Section.

Section 7.05. Paying Agent/Registrar May Own Bonds. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

Section 7.06. Successor Paying Agent/Registrars. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each Holder by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

ARTICLE EIGHT

ALTERATION OF RIGHTS AND DUTIES; AMENDMENT OF ORDINANCE

Section 8.01. Alternation of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Section 8.02. Amendment of Ordinance Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend this Ordinance for any one or more of the following purposes:

(1) to cure any ambiguity, defect, omission or inconsistent provision in this Ordinance or in the Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Bonds;

(2) to change the terms or provisions of this Ordinance to the extent necessary to prevent the interest on the Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;

(3) to grant to or confer upon the Owners of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Bonds;

(4) to add to the covenants and agreements of the City contained in this Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;

(5) to amend any provisions hereof relating to the issuance of Bonds Similarly Secured, including Variable Rate Obligations, or the incurrence of and security for Reimbursement Obligations or the definition of Variable Rate Obligations provided such amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation service then rating the Bonds; and

(6) to subject to the lien and pledge of this Ordinance additional Pledged Revenues, provided such amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation service then rating the Bonds.

Section 8.03. Amendments of Ordinance Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of this Ordinance but, if such amendment is not of the character described in Section 8.02 hereof, only with the consent given in accordance with Section 8.04 hereof of the Owner or Owners of not less than 66-2/3% of the aggregate unpaid principal amount of the Bonds Similarly Secured then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this Section shall permit (1) an extension of the maturity of the principal of or interest on any Bond issued hereunder, or (2) a reduction in the principal amount of any Bond or the rate of interest on any Bond, or (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (4) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

Section 8.04. Consent of Owners. Any consent required by Section 8.03 hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by such Owner or his duly authorized attorney. Proof of the execution of any such consent or of the writing appointing any such attorney and of the ownership of Bonds Similarly Secured, if made in the following manner, shall be sufficient for any of the purposes of this Ordinance, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

(1) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and

(2) the fact of the ownership by any person of any Bond Similarly Secured and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Bond Similarly Secured was registered in the name of such party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to Section 8.03 shall be valid only if given following the mailing of notice by or on behalf of the City requesting such consent and setting forth the substance of the amendment of this Ordinance in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be mailed by certified mail to each Owner of the Bonds Similarly Secured affected at the address shown on the Security Register.

Section 8.05. Revocation of Consent. Any consent by any Owner of a Bond Similarly Secured pursuant to the provisions of this Article shall be irrevocable for a period of six months from the date of mailing of the notice provided for in this Article, and shall be conclusive and binding upon all future Owners of the same Bond Similarly Secured and any Bond Similarly Secured delivered on transfer thereof or in exchange for or replacement thereof during such period. Such consent may be revoked at any time after six months from the date of the first mailing of such notice by the owner who gave such consent or by a successor in title, by filing notice thereof with the Paying Agent/Registrar, but such revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Bonds Similarly Secured Outstanding as in this Ordinance defined have, prior to the attempted revocation, consented to and approved the amendment.

ARTICLE NINE PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF BONDS

Section 9.01. Sale of Bonds. The Bonds authorized by this Ordinance are hereby sold by the City to JPMorgan Securities, Inc., as the authorized representative of a group of underwriters (herein referred to collectively as the "Purchasers" or "Underwriters") in accordance with the Purchase Contract, dated June 3, 2004, attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes. The Mayor or the City Manager is hereby authorized and directed to execute said Purchase Contract for and on behalf of the City and as the act and deed of this City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines and declares that the representations, warranties and agreements of the City contained therein are true and correct in all material respects and shall be honored and performed by the City.

Section 9.02. Escrow Agreement Approval and Execution. The Escrow and Trust Agreement (the "Agreement") by and between the City and JPMorgan Chase Bank, Dallas, Texas, the "Escrow Agent"), attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and such Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by the Mayor or City Manager and City Clerk for and on behalf of the City and as the act and deed of the City Council; and such Agreement as executed by said officials shall be deemed approved by the City Council and constitute the Agreement herein approved.

Furthermore, the Director of Finance (or other officers of the City then having primary responsibility for the financial affairs of the City), individually or jointly, in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities identified in the Agreement and the delivery thereof to the Escrow Agent for deposit to the credit of the "2004A CITY OF SAN ANTONIO, TEXAS HOTEL OCCUPANCY TAX SUBORDINATE LIEN REVENUE REFUNDING BOND ESCROW FUND" (the "Escrow Fund") for the payment, discharge and defeasance of the Refunded Bonds; all as contemplated and provided in Chapter 1207, as amended, Texas Government Code, this Ordinance and the Agreement.

Section 9.03. Control and Custody of Bonds. The City Manager is hereby authorized to have control and custody of the Initial Bond and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor, Mayor Pro Tem, City Manager, Director of Finance and City Clerk, are hereby authorized and instructed to make such certifications and to execute such instruments and agreements, including agreements pertaining to the Debt Service Reserve Fund Surety Bond, as may be necessary to accomplish the initial delivery of the Initial Bond and to assure the investigation, examination, and approval thereof by the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for him) shall be requested to sign manually the Comptroller's Registration Certificate prescribed herein to be attached or affixed to the Initial Bond and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed or printed or lithographed thereon.

Section 9.04. Offering Documents. The Preliminary Official Statement, dated May 20, 2004, relating to the Bonds is hereby approved and is deemed final, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). The Mayor, City Manager, and Director of Finance, individually, jointly or collectively, are authorized to approve any changes in such document and to authorize its distribution by the Purchasers. Within seven business days after the award of the sale of the Bonds, the Director of Finance shall cause the final Official Statement to be provided to the Purchasers in compliance with Rule 15c2-12. The use of the Preliminary Official Statement and the Official Statement in connection with the distribution of the Bonds is hereby authorized. The Mayor and City Clerk are hereby authorized to execute and deliver the Official Statement, and such Official Statement in final form and content manually executed by said officials shall be deemed to be approved by

the City Council and constitute the Official Statement authorized for distribution and use by the Purchasers in connection with the reoffering and sale of the Bonds.

Section 9.05. Proceeds of Sale. Immediately following the delivery of the Bonds, the proceeds of sale of the Bonds (less accrued interest and costs of issuance, including amounts to pay municipal bond insurance premium) shall be deposited with the Escrow Agent for the payment and discharge of the Refunded Bonds being refunded, all in accordance with written instructions to the Paying Agent/Registrar. Accrued interest received from the Underwriters shall be deposited to the credit of the Debt Service Fund.

Additionally, on or immediately prior to the date of delivery of the Bonds to the Purchasers, the Director of Finance shall cause to be transferred to the Escrow Agent the sum of \$0.00 from funds deposited to the credit of the reserve fund for the Refunded Bonds or from other lawfully available funds of the City.

ARTICLE TEN CONTINUING DISCLOSURE OF INFORMATION

Section 10.01. Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

“MSRB” means the Municipal Securities Rulemaking Board.

“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“SID” means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

Section 10.02. Annual Reports. The City shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2004) financial information and operating data with respect to the Pledged Revenues included in the final Official Statement approved by Section 9.04 of this Ordinance, being the information described in Exhibit D hereto. Financial statements to be provided shall be (1) prepared in accordance with generally accepted accounting principles and practices and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available at the time the financial information and operating data must be provided, then the City shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID with the financial information and operating data and will file the audited financial statements, when and if audited financial statements become available.

If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

Section 10.03. Material Event Notices. The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of holders of the Bonds;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds; and
11. Rating changes.

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 10.02 hereof by the time required by such Section.

Section 10.04. Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section while, but only while, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 10.03 hereof of any Bond calls and defeasance that cause the City to be no longer such an "obligated person."

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

Notwithstanding anything to the contrary in this Ordinance, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Section 10.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE ELEVEN PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 11.01. Definitions. When used in this Section, the following terms shall have the following meanings:

“Closing Date” means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of (i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and (ii) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

Section 11.02. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

Section 11.03. No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds (including property financed with Gross Proceeds of the Refunded Bonds), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the Refunded Bonds), other

than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

Section 11.04. No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

Section 11.05. Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Bonds.

Section 11.06. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

Section 11.07. Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

Section 11.08. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Bonds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f)

of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Interest and Sinking Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

Section 11.09. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 11.08 because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

Section 11.10. Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager, Director of Finance and City Clerk, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

Section 11.11. Bonds Not Hedge Bonds. (1) At the time the original bonds refunded by the Bonds were issued, the City reasonably expected to spend at least 85% of the spendable proceeds of such bonds within three years after such bonds were issued and (2) not more than

50% of the proceeds of the original bonds refunded by the Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

Section 11.12. Qualified Advance Refunding. A portion of the Bonds are issued to refund the Refunded Bonds, and the Bonds will be issued more than 90 days before the redemption or maturity date of the Refunded Bonds. The City represents as follows:

(a) The Bonds are the "first advance refunding" of any original bonds issued after 1985 and are the "first or second advance refunding" of any original bonds issued before 1986, both within the meaning of section 149(d)(3) of the Code.

(b) The Refunded Bonds are being called for redemption, and will be redeemed: (i) in the case of Refunded Bonds issued after 1985, not later than the earliest date on which such bonds may be redeemed and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds; and (ii) in the case of Refunded Bonds issued before 1986, not later than the earliest date on which such issue may be redeemed at par or at a premium of 3 percent or less and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds.

(c) The initial temporary period under section 148(c) of the Code will end: i) with respect to the proceeds of the Bonds used to refund the Refunded Bonds not later than 30 days after the date of issue of such Bonds; and ii) with respect to proceeds of the Refunded Bonds on the Closing Date if not ended prior thereto.

(d) On and after the date of issue of the Bonds, no proceeds of the Refunded Bonds will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such Refunded Bonds.

(e) The Bonds are being issued for the purposes stated in the preamble of this Ordinance. There is a present value loss associated with the refunding. In the issuance of the Bonds the City has: i) neither issued more bonds, nor issued bonds earlier, and will not allow bonds to remain outstanding longer, than reasonably necessary to accomplish the governmental purposes for which the Bonds were issued; ii) not employed an "abusive arbitrage device" within the meaning of Section 1.148-10(a) of the Regulations; and iii) not employed a "device" to obtain a material financial advantage based on arbitrage, within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates and reduced debt service payments in early years.

ARTICLE TWELVE BOND INSURANCE PROVISIONS

Section 12.01. Insurance Provisions. Notwithstanding anything to the contrary contained in this Ordinance, the following provisions shall be effective as long as any Bond is insured by the Insurer pursuant to the Insurance Policy:

A. Consent of Insurer. Any provision of this Ordinance expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer.

Unless otherwise provided in this Section, the Insurer's consent shall be required in connection with the execution and delivery of any resolution supplemental hereto or in connection with any other matter which may require the approval of the holder of any Bond.

Anything in this Ordinance to the contrary notwithstanding and except as described below, upon the occurrence and continuance of an event of default hereunder, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holder of any Bonds under this Ordinance, and the Insurer shall also be entitled to approve all waivers of events of default.

Each of the Purchasers and the Insurer shall be deemed to be a holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to the provisions of the Ordinance pertaining to defaults or remedies. Notwithstanding the foregoing, (i) there shall be no waiver of (a) covenant compliance or (b) of the breach or of an event of default without the consent of both the Purchasers and the Insurer, (ii) there shall be no compromise or settlement reached by the Purchasers wherein the recovery is less than an amount necessary to retire or discharge the outstanding Bonds without the consent of the Insurer, and (iii) there shall be no modification of the Ordinance without the written consent of both the Purchasers and the Insurer.

B. Notices to Insurer; Inspections by Insurer. The City shall furnish to the Insurer:

- (1) as soon as practicable after the completion thereof, a copy of any financial statement or audit of the City and the annual report of the City;
- (2) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption or defeasance of any Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Bonds; and
- (3) such additional information as the Insurer may reasonably request.

The City will permit the Insurer to discuss the affairs, finances, and accounts of the City or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the City. The City will permit the Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

The Insurer shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice thereof from the Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of any Bonds.

Notwithstanding any other provision of this Ordinance, the City shall immediately notify the Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any default hereunder.

To the extent that the City has entered into a continuing disclosure agreement with respect to the Bonds, the Insurer shall be included as a party to be notified.

C. Permitted Investments; Valuation. To the extent permitted by the terms of Section 4.09, accrued interest held in the Debt Service Fund may be invested in only the following permitted investments:

- (1) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;
- (2) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export - Import Bank, Rural Economic Community Development Administration U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHA's), Federal Housing Administration, Federal Financing Bank
- (3) bonds, notes, or other evidences of indebtedness rated "AAA" by Standard & Poor's Ratings Service ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Association with remaining maturities not exceeding three years;
- (4) U.S. dollar denominated deposit accounts, federal funds, and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (5) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 days after the date of purchase;
- (6) investments in a money market fund rated "AAAm" or "AAAm-G" or higher by S&P;
- (7) pre-funded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state which are not callable at the option of the obligor prior to stated maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be

applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the stated maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the stated maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) investment agreements approved in writing by the Insurer with notice to S&P; and

(9) other forms of investments (including repurchase agreements) approved in writing by the Insurer with notice to S&P.

In the event of the defeasance of any Bonds as permitted under applicable law, the City may invest any escrow for such Bonds only in the following obligations: cash, or Government Obligations.

The value of permissible investments shall be determined as of the end of each calendar month and shall be calculated as follows:

(1) for the purpose of determining the amount in any fund, all permitted investments credited to such fund shall be valued at fair market value, fair market value is based on accepted industry standards and from accepted industry providers which include but not are limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

(2) as to certificates of deposit and banker's acceptances--the face amount thereof, plus accrued interest; and

(3) as to any investment not specified above--the value thereof established by prior agreement between the City and the Insurer.

D. Subrogation. In the event that the principal of and/or interest due on any Bonds shall be paid by the Insurer pursuant to the Insurance Policy, such Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied, and shall not be considered paid by the City, and all covenants, agreements, and other obligations of the City to the registered owners of such Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

E. Payment Procedure Pursuant to Insurance Policy. The City and the Paying Agent/Registrar agree to comply with the following provisions:

(1) At least one (1) day prior to all Interest Payment Dates the Paying Agent/Registrar will determine whether there will be sufficient funds in the funds and accounts to pay the principal of or interest on the Bonds on such Interest Payment Dates. If the Paying Agent/Registrar determines that there will be insufficient funds in such funds or accounts, the Paying Agent/Registrar shall so notify the Insurer. Such notice shall

specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable, and whether such Bonds will be deficient as to principal or interest, or both. If the Paying Agent/Registrar has not so notified the Insurer at least one (1) day prior to an Interest Payment Date, the Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Insurer shall have received notice of nonpayment from the Paying Agent/Registrar.

- (2) The Paying Agent/Registrar shall, after giving notice to the Insurer as provided in (i) above, make available to the Insurer and, at the Insurer's direction, to The Bank of New York, in New York, New York as insurance trustee for the Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Paying Agent/Registrar and all records relating to the funds and accounts maintained under this Ordinance.
- (3) The Paying Agent/Registrar shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy and shall make arrangements with the Insurance Trustee to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer and to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.
- (4) The Paying Agent/Registrar shall, at the time it provides notice to the Insurer pursuant to (i) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Insurer as to the fact of such entitlement, that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, that, should they be entitled to receive full payment of principal from the Insurer, they must present and surrender their Bonds together with any appropriate instrument of assignment for payment to the Insurance Trustee and not the Paying Agent/Registrar, and that, should they be entitled to receive partial payment of principal from the Insurer, they must present and surrender their Bonds for payment thereon first to the Paying Agent/Registrar, which shall note on such Bonds the portion of the principal paid by the Paying Agent/Registrar, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.
- (5) In the event that the Paying Agent/Registrar has notice that any payment of principal or of interest on an Bond which has become due for payment and which is made to a registered owner of an Bond by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent/Registrar shall, at the time the Insurer is notified pursuant to i. above, notify all

registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent/Registrar shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent/Registrar and subsequently recovered from registered owners and the dates on which such payments were made.

- (6) In addition to those rights granted the Insurer under this Ordinance, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy, and to evidence such subrogation in the case of subrogation as to claims for past due interest, the Paying Agent/Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Paying Agent/Registrar upon receipt from the Insurer of proof of payment of interest thereon to the registered owners of the Bonds and in the case of subrogation as to claims for past due principal, the Paying Agent/Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Paying Agent/Registrar upon surrender of the Bonds by the registered owners thereof together with proof of payment of principal thereof.

Section 12.02. Interested Parties. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Insurer, the Paying Agent/Registrar, Co-Bond Counsel, the Purchasers, and the registered owners of the Bonds, any right, remedy, or claim under or by reason of this Ordinance or any covenant, condition, or stipulation hereof, and all covenants, stipulations, promises, and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Insurer, the Paying Agent/Registrar, Co-Bond Counsel, the Purchasers, and the registered owners of the Bonds.

ARTICLE THIRTEEN MISCELLANEOUS

Section 13.01. Further Procedures. The Mayor, the City Manager, the Director of Finance and the City Clerk and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 13.02. Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13.03. Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this

meeting, as required by Chapter 551, as amended, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 13.04. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

Section 13.05. Inconsistent Provisions. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 13.06. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 13.07. Expansion HOT. The City Council hereby recognizes that the proceeds from the Expansion HOT, which is not pledged to the payment of the debt service requirements on the Bonds Similarly Secured, is legally permitted to be used for Debt Service Requirements on any Subordinate Lien Obligations issued to finance a hotel for the Convention Center, to construct improvements to the Convention Center, or to pay debt service requirements as permitted by Section 351.1065(a) of the HOT Act, or to be deposited to the Facilities Fund created in the ordinance authorizing the Prior Lien Bonds to be used for the foregoing purposes.

Section 13.08. Effective Date. The effective date of this Ordinance shall be governed by the provisions of Section 1-15 of the City's Home Rule Charter and this Ordinance shall become effective immediately upon its passage by eight affirmative votes, and it is so enacted.

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. ____

EXHIBIT B

BOND PURCHASE AGREEMENT

SEE TAB NO. ____

EXHIBIT C

ESCROW AGREEMENT

SEE TAB NO. ____

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Article Ten of this Ordinance.

Annual Financial Statements and Operating Data

1. The financial statements of the City referenced in the Official Statement, but for the most recently concluded fiscal year.
2. The information contained in the Tables 1 through 8 in the main text of the Official Statement.

Accounting Principles

The accounting principles referred to in such Section are the generally accepted accounting principles as applicable to governmental units as prescribed by The Government Accounting Standards Board.

EXHIBIT E

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. ____

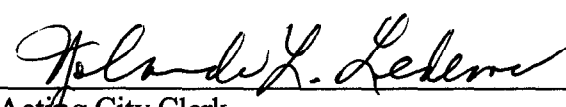
PASSED AND ADOPTED by an affirmative vote of 10 members of the City Council of the City of San Antonio, Texas, this the 3rd day of June, 2004.

CITY OF SAN ANTONIO



Mayor

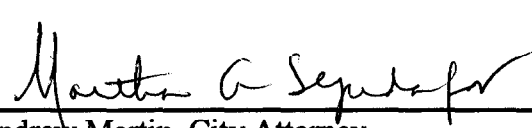
ATTEST:



Acting City Clerk

(CITY SEAL)

I, the undersigned, City Attorney of the City of San Antonio, Texas, hereby certify that I read, passed upon, and approved as to form the foregoing Ordinance prior to its adoption and passage as aforesaid.



Andrew Martin, City Attorney,
City of San Antonio, Texas

Exhibit A - Paying Agent/Registrar Agreement
Exhibit B - Purchase Contract
Exhibit C - Escrow Agreement
Exhibit D - Description of Annual Financial Information
Exhibit E - DTC Letter of Representations